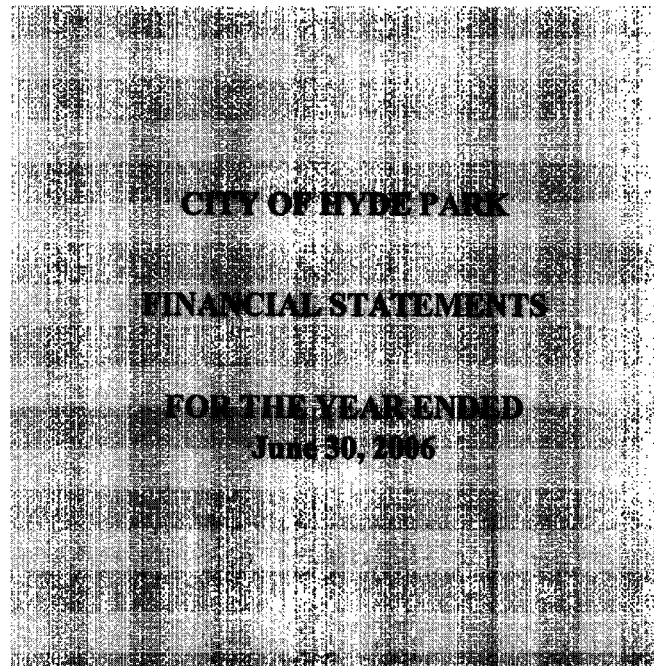




Peterson
Allred
Jackson



▪ Certified Public Accountants
Business Consultants

2100 North Main • North Logan, Utah 84341

Phone (435) 752-6441

Fax (435) 752-6451

Email firm@pajcpa.com

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION:</u>	
Letter of transmittal	4
<u>FINANCIAL SECTION:</u>	
Independent auditor's report	8
Management's Discussion and Analysis	10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	21
Statement of Net Assets - Proprietary Funds	23
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25
Notes to Financial Statements	26
<u>SUPPLEMENTAL INFORMATION:</u>	
Combining Balance Sheet - Nonmajor Governmental Funds	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor funds	44
Schedule of Impact Fees	45
Report on Compliance and Internal Control	46
State Legal Compliance Report	48
Management letter with responses	50

INTRODUCTORY SECTION

Hyde Park City

113 East Hyde Park Lane, P.O. Box 489
Hyde Park, Utah 84318
563-6507

September 12, 2006

Hyde Park City Council
Hyde Park, Utah

Council:

It is with great pleasure that the financial statements for the City of Hyde Park for the year ended June 30, 2006, are presented.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2006, in accordance with these requirements.

This report consists of management's representations concerning the finances of the City of Hyde Park. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the City from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Hyde Park's financial statements have been audited by Peterson Allred Jackson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hyde Park for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Hyde Park's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The financial reporting entity (the City) includes all funds of the primary government (i.e., the City of Hyde Park as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The Municipal Building Authority Component Unit is reported as an enterprise fund.

I wish to express my appreciation to all members of the City who assisted and contributed to the preparation of this report.

Respectfully submitted,

Mayor David N. Kooyman
City of Hyde Park

FINANCIAL SECTION

This page intentionally left blank.



Peterson
Allred
Jackson

▪ Certified Public Accountants
Business Consultants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Hyde Park
Hyde Park, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hyde Park, Utah (the City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results for our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund statements and Schedule of Impact Fees listed in the table of contents are presented for purposes of additional analysis of the financial statements of the City. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Management's Discussion and Analysis on pages 10-14, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Peterson Allred Jackson

September 12, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hyde Park, we offer readers of the City of Hyde Park's financial statements this narrative overview and analysis of the financial activities of the City of Hyde Park for the fiscal year ended June 30, 2006.

FINANCIAL HIGHLIGHTS

- The total net assets of the City of Hyde Park increased 9% to \$6,906,446.
- The total net assets of \$6,906,446 is made up of \$3,802,420 in capital assets net of related debt and \$3,104,026 in other net assets.
- Total long-term liabilities of the City was reduced \$74,600.
- Business-type activities total net assets increased \$415,102.
- Governmental activities total net assets increased \$137,105.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the City of Hyde Park's basic financial statements. The City of Hyde Park's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the City of Hyde Park's finances, in a manner similar to a private-sector business.

- The statements of net assets presents information on all of the City of Hyde Park's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Hyde Park is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City of Hyde Park that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 16 & 17 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hyde Park also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds, and proprietary funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund. The balance of the governmental funds are determined to be nonmajor and are included in the combining statements within this report.

- **Proprietary funds** - The City of Hyde Park maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Hyde Park uses enterprise funds to account for its Water Utility, Wastewater Collection Utility, and Municipal Building Authority.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Hyde Park, assets exceed liabilities by \$6,906,446.

By far the largest portion of the City of Hyde Park's net assets (55%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Current and other assets	\$ 658,405	\$ 997,498	\$ 2,727,573	\$ 2,524,689
Capital assets	1,678,456	1,206,429	5,179,864	5,186,486
Total assets	2,336,861	2,203,927	7,907,437	7,711,175
Long-term debt outstanding	126,400	-	2,929,500	3,130,500
Other liabilities	252,515	228,090	29,437	47,277
Total liabilities	378,915	228,090	2,958,937	3,177,777
Net assets:				
Invested in capital assets, net of debt	1,552,056	1,206,429	2,250,364	2,055,986
Restricted	242,235	500,959	1,131,419	1,170,398
Unrestricted	163,655	113,453	1,566,717	1,307,014
Total net assets	\$ 1,957,946	\$ 1,820,841	\$ 4,948,500	\$ 4,533,398

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Revenues:				
Program revenues:				
Charges for services	\$ 641,450	\$ 648,726	\$ 837,315	\$ 737,269
Operating grants & contributions	10,221	6,680	-	-
Capital grants & contributions	145,812	106,518	-	-
General revenues:				
Property taxes	153,959	140,692	-	-
Other taxes	363,981	352,130	-	-
Investment income	22,293	12,041	98,966	51,676
Other revenues	6,600	8,541	73,260	73,260
Total revenues	1,344,316	1,275,328	1,009,541	862,205
Expenses:				
General government	419,793	384,328	-	-
Public safety	221,099	218,573	-	-
Highways/public improvements	517,906	472,904	-	-
Parks & recreation	60,027	40,407	-	-
Intergovernmental	21,719	22,569	-	-
Water	-	-	260,423	349,837
Wastewater collection	-	-	256,769	242,705
Municipal building authority	-	-	43,914	45,006
Total expenses	1,240,544	1,138,781	561,106	637,548
Increase in net assets before transfers	103,772	136,547	448,435	224,657
Transfers	33,333	44,000	(33,333)	(44,000)
Increase in net assets	137,105	180,547	415,102	180,657
Net assets beginning of year	1,820,841	1,640,294	4,533,398	4,352,741
Net assets end of year	\$ 1,957,946	\$ 1,820,841	\$ 4,948,500	\$ 4,533,398

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of the June 30, 2006, the City's governmental funds (General and Capital Projects) reported combined fund balances of \$405,890. This represents a decrease of \$208,522 (34%) over last year's ending balances.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 39% of total general fund revenues. The largest element of taxes is sales taxes as it has been for the last several years. It represents 69% of total tax revenues and represents 27% of total general fund revenues. This compares with 27% in the prior fiscal year ended June 30, 2005.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

Significant changes in business-type activities include a \$201,000 decrease in debt due to regular principal payments.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year the General Fund original budget was amended from an original budget expenditure total of \$1,407,770 to a final budget of \$1,630,153 (16%). These increases were made to take advantage of revenues and expense being higher than originally anticipated for park capital outlay.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets- The City of Hyde Park's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$6,858,320 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, etc.), and machinery and equipment. The total increase in the City's investment in fixed assets for the current year was 7% (due to new purchases exceeding depreciation expense).

Major capital asset events during the current fiscal year included the following:

- \$259,119 for the purchase of property.
- \$272,001 for construction of roads.

- \$40,432 for construction of a new maintenance facility.
- \$91,405 for park improvements.

CITY OF HYDE PARK'S CAPITAL ASSETS

	Governmental Activities	Business-type Activities
Land	\$ 565,437	\$ 39,010
Buildings	331,633	660,494
Improvements	428,224	6,463,023
Infrastructure	2,578,123	—
Machinery & equipment	204,262	210,107
Less: Accumulated depreciation	<u>(2,429,223)</u>	<u>(2,192,770)</u>
Total	<u>\$ 1,678,456</u>	<u>\$ 5,179,864</u>

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt - At June 30, 2006, the City had total long term debt outstanding of \$3,055,900. Of this amount \$677,000 is considered to be general obligation debt and backed by the full faith and credit of the City; and \$2,252,500 is debt which is secured solely by specific revenue sources (i.e., revenue bonds). The general fund had a note payable for \$126,400 for property.

CITY OF HYDE PARK'S OUTSTANDING DEBT

	Business-type Activities
General obligation bonds- sewer	\$ 677,000
Revenue bonds	<u>2,252,500</u>
Total outstanding bonded debt	<u>\$ 2,929,500</u>
	Governmental Activities
General fund note	<u>\$ 126,400</u>

The City's total debt decreased by \$74,600 during the fiscal year.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

This page intentionally left blank.

CITY OF HYDE PARK
STATEMENT OF NET ASSETS
JUNE 30, 2006
With Comparative Totals for June 30, 2005

	Governmental	Business-type	Memorandum	Memorandum
ASSETS	Activities	Activities	Total	Total
			2006	2005
Cash	\$ 204,213	\$ 1,504,946	\$ 1,709,159	\$ 1,409,400
Account receivable	39,827	69,838	109,665	105,452
Taxes receivable	158,936	-	158,936	146,686
Restricted taxes receivable	27,523	-	27,523	21,382
Other assets	-	150	150	150
Bond discounts	-	35,695	35,695	39,170
Restricted cash	227,906	1,116,944	1,344,850	1,644,951
Capital assets			-	
Land	565,437	39,010	604,447	345,328
Buildings	331,633	660,494	992,127	951,695
Improvements	428,224	6,463,023	6,891,247	6,686,941
Infrastructure	2,578,123	-	2,578,123	2,306,122
Machinery & equipment	204,262	210,107	414,369	327,903
Less: accumulated depreciation	(2,429,223)	(2,192,770)	(4,621,993)	(4,225,074)
Total assets	<u>2,336,861</u>	<u>7,907,437</u>	<u>10,244,298</u>	<u>9,760,106</u>
LIABILITIES				
Accounts payable	38,863	10,565	49,428	80,187
Accrued liabilities	63,652	7,516	71,168	43,135
Interest payable	-	11,356	11,356	12,045
Bonds/notes payable:				
Due within one year	39,229	206,000	245,229	201,000
Due in more than one year	87,171	2,723,500	2,810,671	2,929,500
Deferred revenue	150,000	-	150,000	140,000
Total liabilities	<u>378,915</u>	<u>2,958,937</u>	<u>3,337,852</u>	<u>3,405,867</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,552,056	2,250,364	3,802,420	3,262,415
Restricted for:				
Debt service	-	302,500	302,500	452,615
Roads and improvements	242,235	828,919	1,071,154	1,218,742
Unrestricted	163,655	1,566,717	1,730,372	1,420,467
Total net assets	<u>\$ 1,957,946</u>	<u>\$ 4,948,500</u>	<u>\$ 6,906,446</u>	<u>\$ 6,354,239</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HYDE PARK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	Program Revenues				Business-type Activities	Total 2006	Memorandum Total 2005
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions			
Governmental activities:							
General government	\$ 419,793	\$ 160,855	\$ -	\$ -	\$ (258,938)	\$ (204,508)	
Public Safety	221,099	23,053	10,221	-	(187,825)	(189,482)	
Highways & public improvements	517,906	254,780	-	125,508	(137,618)	(142,639)	
Parks, recreation & public property	60,027	132,277	-	20,304	92,554	111,126	
Intergovernmental	21,719	70,485	-	-	48,766	48,646	
Total governmental activities	1,240,544	641,450	10,221	145,812	(443,061)	(376,857)	
Business-type activities:							
Water	260,423	464,159	-	-	203,736	61,989	
Wastewater collection	256,769	373,156	-	-	116,387	82,738	
Municipal bldg authority	43,914	-	-	-	(43,914)	(45,006)	
Total business-type activities	561,106	837,315	-	-	276,209	99,721	
General Revenues:							
Taxes:							
Property taxes levied for general purposes					153,959	140,692	
Franchise taxes					6,326	6,057	
General sales taxes & highway sales taxes					357,655	346,073	
Business licenses					5,400	4,521	
Investment income					22,293	63,717	
Rents & concessions					-	73,260	
Miscellaneous					1,200	4,020	
Transfers					33,333	-	
Total general revenues & transfers					580,166	638,340	
Change in net assets					137,105	361,204	
Net assets - beginning					1,820,841	5,993,035	
Net assets - ending					\$ 1,957,946	\$ 6,354,239	

The notes to the financial statements are an integral part of this statement.

CITY OF HYDE PARK
GOVERNMENTAL FUNDS TYPE
BALANCE SHEET
JUNE 30, 2006
With Comparative Totals for June 30, 2005

	General	Other Governmental Funds	Memorandum Total 2006	Memorandum Total 2005
ASSETS				
Cash	\$ 204,213	\$ -	\$ 204,213	\$ 144,313
Accounts receivable	39,827	-	39,827	39,285
Taxes receivable	158,936	-	158,936	146,686
Restricted assets:				
Taxes receivable	27,523	-	27,523	21,382
Cash	183,807	44,099	227,906	490,836
Total assets	<u>\$ 614,306</u>	<u>\$ 44,099</u>	<u>\$ 658,405</u>	<u>\$ 842,502</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 38,863	\$ -	\$ 38,863	\$ 51,671
Accrued liabilities	63,652	-	63,652	36,419
Deferred revenue	150,000	-	150,000	140,000
Total liabilities	<u>252,515</u>	<u>-</u>	<u>252,515</u>	<u>228,090</u>
Fund Balance:				
Reserved for roads	27,523	-	27,523	21,382
Reserved for Capital projects fund	-	44,099	44,099	36,923
Reserved for impact fees	130,892	-	130,892	313,714
Reserved for parks	39,721	-	39,721	128,940
Unreserved - undesignated	163,655	-	163,655	113,453
Total fund balance	<u>361,791</u>	<u>44,099</u>	<u>405,890</u>	<u>614,412</u>
Total liabilities and fund balance	<u>\$ 614,306</u>	<u>\$ 44,099</u>		
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			1,678,456	1,206,429
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds			(126,400)	-
Net assets reconciled to the Statement of Activities			<u>\$ 1,957,946</u>	<u>\$ 1,820,841</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HYDE PARK
GOVERNMENTAL FUNDS TYPE
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	General	Other Governmental Funds	Memorandum Total 2006	Memorandum Total 2005
Revenues:				
Taxes & special assessments	\$ 517,940	\$ -	\$ 517,940	\$ 492,822
Licenses and permits	155,655	-	155,655	144,088
Intergovernmental	145,812	10,221	156,033	113,198
Charges for services	377,210	-	377,210	368,644
Fines & forfeitures	70,485	-	70,485	71,215
Investment income	20,716	1,577	22,293	12,041
Miscellaneous	44,700	-	44,700	73,320
Total revenues	1,332,518	11,798	1,344,316	1,275,328
Expenditures:				
Current:				
General government	416,539	40,432	456,971	443,827
Public safety	221,099	-	221,099	218,573
Highways & public improvements	634,441	-	634,441	354,024
Parks, recreation & public property	237,751	14,190	251,941	97,884
Intergovernmental	21,719	-	21,719	22,569
Total expenditures	1,531,549	54,622	1,586,171	1,136,877
Excess (deficiency) of revenues over expenditures	(199,031)	(42,824)	(241,855)	138,451
Other financing sources (uses):				
Transfers in/out	(16,667)	50,000	33,333	44,000
Total other financing sources	(16,667)	50,000	33,333	44,000
Net change in fund balances	(215,698)	7,176	(208,522)	182,451
Fund balances, beginning of year	577,489	36,923	614,412	431,961
Fund balances, end of year	\$ 361,791	\$ 44,099	\$ 405,890	\$ 614,412

The notes to the financial statements are an integral part of this statement.

CITY OF HYDE PARK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006
With Comparative Totals for June 30, 2005

	<u>2006</u>	<u>2005</u>
Net change in fund balances - total governmental funds	\$ (208,522)	\$ 182,451
<p>Amounts reported for governmental activities in the statement of activities differs the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
	<u>345,627</u>	<u>(1,904)</u>
Change in net assets of governmental activities	<u>\$ 137,105</u>	<u>\$ 180,547</u>

CITY OF HYDE PARK
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES:				
Taxes:				
General property taxes	\$ 152,685	\$ 152,685	\$ 153,959	\$ 1,274
General sales & use taxes	350,000	350,000	357,655	7,655
Franchise taxes	6,000	6,000	6,326	326
Other taxes	100	100	-	(100)
Total taxes	<u>508,785</u>	<u>508,785</u>	<u>517,940</u>	<u>9,155</u>
Licenses & permits:				
Business licenses & permits	4,600	4,600	5,400	800
Non-business licenses & permits	137,300	137,300	150,255	12,955
Total licenses & permits	<u>141,900</u>	<u>141,900</u>	<u>155,655</u>	<u>13,755</u>
Intergovernmental revenues:				
Class "C" roads	135,000	135,000	125,508	(9,492)
State liquor allotment	1,000	1,000	1,829	829
Other grants	5,500	21,583	18,475	(3,108)
Total intergovernmental revenues	<u>141,500</u>	<u>157,583</u>	<u>145,812</u>	<u>(11,771)</u>
Charges for services:				
Sanitation	198,000	198,000	198,234	234
Impact fees	78,800	78,800	110,348	31,548
Planning and zoning	2,000	5,655	10,600	4,945
Parks & public property	14,200	25,598	34,975	9,377
Communication center	23,000	23,000	23,053	53
Total charges for services	<u>316,000</u>	<u>331,053</u>	<u>377,210</u>	<u>46,157</u>
Fines & forfeitures:				
Court fines	70,475	70,475	70,485	10
Miscellaneous:				
Interest	40,000	40,000	20,716	(19,284)
Bonus density	-	43,500	43,500	-
Other	2,000	2,000	1,200	(800)
Total Miscellaneous	<u>42,000</u>	<u>85,500</u>	<u>65,416</u>	<u>(20,084)</u>
Total Revenues	<u>\$ 1,220,660</u>	<u>\$ 1,295,296</u>	<u>\$ 1,332,518</u>	<u>\$ 37,222</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HYDE PARK
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(CONTINUED)
YEAR ENDED JUNE 30, 2006**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
EXPENDITURES				
General government:				
Mayor and council	\$ 19,000	\$ 19,380	\$ 19,377	\$ 3
Administration	177,685	184,685	183,759	926
Court	90,685	56,196	55,920	276
Building & grounds	52,745	52,745	46,304	6,441
Planning and zoning	104,700	124,190	111,179	13,011
Capital outlay	-	-	-	-
Total general government	444,815	437,196	416,539	20,657
Public Safety:				
Police	179,500	179,500	168,602	10,898
Fire	40,000	42,200	41,801	399
Animal Control	11,425	11,425	10,696	729
Total Public Safety	230,925	233,125	221,099	12,026
Highways & public improvements:				
Streets	166,580	166,580	137,173	29,407
Capital outlay	315,900	315,900	300,823	15,077
Sanitation	197,000	197,000	196,445	555
Total highways & improvements	679,480	679,480	634,441	45,039
Parks, Recreation & Public Property:				
Parks and open spaces	21,050	21,050	16,681	4,369
Recreation & cultural arts	8,500	23,583	11,136	12,447
Capital outlay	-	212,719	209,934	2,785
Total parks, recreation & public property	29,550	257,352	237,751	19,601
Intergovernmental expenses	23,000	23,000	21,719	1,281
TOTAL EXPENDITURES & OTHER USES	1,407,770	1,630,153	1,531,549	98,604
Net change in fund balance	(187,110)	(334,857)	(199,031)	135,826
Transfers	(16,667)	(16,667)	(16,667)	-
Net change in fund balance after transfers	(203,777)	(351,524)	(215,698)	135,826
Fund Balance at beginning of year	577,489	577,489	577,489	-
Fund Balance at end of year	<u>\$ 373,712</u>	<u>\$ 225,965</u>	<u>\$ 361,791</u>	<u>\$ 135,826</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HYDE PARK
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006
With Comparative Totals for June 30, 2005**

	<u>WATER UTILITIES</u>	<u>WASTEWATER COLLECTION</u>	<u>MUNI-BLDG AUTHORITY</u>	<u>MEMORANDUM TOTALS 2006</u>	<u>MEMORANDUM TOTALS 2005</u>
ASSETS					
Current assets:					
Cash	\$ 1,416,915	\$ 88,031	\$ -	\$ 1,504,946	\$ 1,265,087
Accounts receivable	37,259	32,579	-	69,838	66,167
Other assets	150	-	-	150	150
Bond discounts	14,348	-	21,347	35,695	39,170
Restricted cash	616,263	347,004	153,677	1,116,944	1,154,115
Total current assets	2,084,935	467,614	175,024	2,727,573	2,524,689
Capital assets					
Land	18,000	21,010	-	39,010	39,010
Buildings	4,200	-	656,294	660,494	660,494
Improvements other than building	3,384,324	3,078,699	-	6,463,023	6,350,122
Equipment	100,665	109,442	-	210,107	152,463
Less accumulated depreciation	(1,156,364)	(812,173)	(224,233)	(2,192,770)	(2,015,603)
Total capital assets	2,350,825	2,396,978	432,061	5,179,864	5,186,486
TOTAL ASSETS	4,435,760	2,864,592	607,085	7,907,437	7,711,175
LIABILITIES					
Current liabilities:					
Accounts payable	1,946	8,619	-	10,565	28,516
Accrued liabilities	3,758	3,758	-	7,516	6,716
Interest payable	4,484	-	6,872	11,356	12,045
Total current liabilities	10,188	12,377	6,872	29,437	47,277
Long-term liabilities:					
Bonds payable - due within a year	56,000	112,000	38,000	206,000	201,000
Due in more than one year	1,737,500	565,000	421,000	2,723,500	2,929,500
Total long-term liabilities	1,793,500	677,000	459,000	2,929,500	3,130,500
Total liabilities	1,803,688	689,377	465,872	2,958,937	3,177,777
NET ASSETS					
Invested in capital assets, net of related debt	557,325	1,719,978	(26,939)	2,250,364	2,055,986
Restricted	616,263	347,004	168,152	1,131,419	1,170,398
Unrestricted	1,458,484	108,233	-	1,566,717	1,307,014
Total net assets	\$ 2,632,072	\$ 2,175,215	\$ 141,213	\$ 4,948,500	\$ 4,533,398

The notes to the financial statements are an integral part of this statement.

**CITY OF HYDE PARK
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2006

With Comparative Totals for the Year Ended June 30, 2005

	<u>WATER UTILITIES</u>	<u>WASTEWATER COLLECTION</u>	<u>MUNI-BLDG AUTHORITY</u>	<u>MEMORANDUM TOTALS 2006</u>	<u>MEMORANDUM TOTALS 2005</u>
OPERATING REVENUES:					
Charges for services	\$ 461,227	\$ 372,656	\$ -	\$ 833,883	\$ 734,410
Other operating revenues	2,932	500	-	3,432	2,859
Total operating revenues	<u>464,159</u>	<u>373,156</u>	<u>-</u>	<u>837,315</u>	<u>737,269</u>
OPERATING EXPENSES:					
Salary and wages	42,567	43,858	-	86,425	82,393
Utilities	3,191	890	-	4,081	3,955
Services	58,501	136,624	-	195,125	275,174
Supplies	6,956	6,656	-	13,612	18,872
Depreciation	86,550	68,741	21,876	177,167	176,090
Miscellaneous	7,478	-	4,130	11,608	6,062
Total operating expenses	<u>205,243</u>	<u>256,769</u>	<u>26,006</u>	<u>488,018</u>	<u>562,546</u>
Operating income (loss)	<u>258,916</u>	<u>116,387</u>	<u>(26,006)</u>	<u>349,297</u>	<u>174,723</u>
NON-OPERATING REVENUES (EXPENSES):					
Interest income	75,606	17,545	5,815	98,966	51,676
Rent	-	-	73,260	73,260	73,260
Interest charges	(55,180)	-	(17,908)	(73,088)	(75,002)
Total non-operating revenue (expense)	<u>20,426</u>	<u>17,545</u>	<u>61,167</u>	<u>99,138</u>	<u>49,934</u>
Transfers	(16,667)	(16,666)	-	(33,333)	(44,000)
Change in net assets	<u>262,675</u>	<u>117,266</u>	<u>35,161</u>	<u>415,102</u>	<u>180,657</u>
Total net assets - beginning	<u>2,369,397</u>	<u>2,057,949</u>	<u>106,052</u>	<u>4,533,398</u>	<u>4,352,741</u>
Total net assets -ending	<u>\$ 2,632,072</u>	<u>\$ 2,175,215</u>	<u>\$ 141,213</u>	<u>\$ 4,948,500</u>	<u>\$ 4,533,398</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HYDE PARK
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006**

With Comparative Totals for the Year Ended June 30, 2005

	WATER UTILITIES	WASTEWATER COLLECTION	MUNI-BLDG AUTHORITY	MEMORANDUM TOTALS 2006	MEMORANDUM TOTALS 2005
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 461,195	\$ 372,449	\$ -	\$ 833,644	\$ 731,981
Payments to suppliers	(81,634)	(154,835)	-	(236,469)	(295,402)
Payments to employees	(42,567)	(43,858)	(2,322)	(88,747)	(82,393)
Net cash provided (used) by operating activities	<u>336,994</u>	<u>173,756</u>	<u>(2,322)</u>	<u>508,428</u>	<u>354,186</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Rents received	-	-	73,260	73,260	73,260
Transfers	(16,667)	(16,666)	-	(33,333)	(44,000)
Net cash provided (used) by noncapital and related financing activities	<u>(16,667)</u>	<u>(16,666)</u>	<u>73,260</u>	<u>39,927</u>	<u>29,260</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchases of capital assets	(88,155)	(82,390)	-	(170,545)	(39,000)
Principal paid on capital debt	(50,000)	(112,000)	(39,000)	(201,000)	(196,000)
Interest paid on capital debt	(55,180)	-	(17,908)	(73,088)	(75,002)
Net cash provided (used) by capital and related financing activities	<u>(193,335)</u>	<u>(194,390)</u>	<u>(56,908)</u>	<u>(444,633)</u>	<u>(310,002)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	<u>75,606</u>	<u>17,545</u>	<u>5,815</u>	<u>98,966</u>	<u>51,676</u>
Net increase in cash and cash equivalents	202,598	(19,755)	19,845	202,688	125,120
Cash and equivalents at beginning of year	<u>1,830,580</u>	<u>454,790</u>	<u>133,832</u>	<u>2,419,202</u>	<u>2,294,082</u>
Cash and equivalents at end of year	<u>\$ 2,033,178</u>	<u>\$ 435,035</u>	<u>\$ 153,677</u>	<u>\$ 2,621,890</u>	<u>\$ 2,419,202</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 258,916	\$ 116,387	\$ (26,006)	\$ 349,297	\$ 174,723
Adjustments to reconcile net income from operations to net cash provided by operating activities:					
Depreciation	86,550	68,741	21,876	177,167	176,090
Changes in assets & liabilities:					
Decrease (increase) in receivables	(2,964)	(707)	-	(3,671)	(5,318)
Decrease (increase) in other assets	1,103	-	2,372	3,475	3,561
Increase (decrease) in accruals	(6,611)	(10,665)	(564)	(17,840)	5,130
Total adjustments	<u>78,078</u>	<u>57,369</u>	<u>23,684</u>	<u>159,131</u>	<u>179,463</u>
Net cash provided (used) by operating activities:	<u>\$ 336,994</u>	<u>\$ 173,756</u>	<u>\$ (2,322)</u>	<u>\$ 508,428</u>	<u>\$ 354,186</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HYDE PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1: Summary of significant accounting policies

Reporting entity

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparations of the accompanying financial statements.

The City operates under a Council-Mayor form of government. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issued bonded debt without approval from the City.) The Municipal Building Authority is a component unit and is accounted for as a business type activity.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The City applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The Water Utility accounts for the activities of the City's water production, treatment, and distribution operations.

The Wastewater Collection fund accounts for the operation and maintenance of the City-owned collection system for wastewater.

The Municipal Building Authority fund accounts for the lease-purchase bonds issued for construction of various projects throughout the City that will be owned by the Authority and leased to another fund which will lease payments equal to the debt service on the related bonds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fixed assets and long-term liabilities

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$2,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Prior to the audit for the year ended June 30, 1982, a list of general fixed assets was not kept. At the time of that audit, an inventory of general fixed assets was taken and entered on the books. When actual costs were not available, the assets were recorded at estimated cost.

Depreciation of all exhaustible fixed assets used is charged as an expense against their operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Water and sewer system improvements	40-50 years
Buildings	20-30 years
Machinery and equipment	5-10 years
Roads and infrastructure	15 years
Improvements other than buildings	20 years

Property Tax

Cache County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The City should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalty bear interest at 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the City in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

The City can make adjustments to the adopted budget through public hearings. During the fiscal year, the City made several budget adjustments through a public hearing, the effects of which were not material.

Capitalized Interest

The City capitalizes interest costs and interest earned as part of the cost of constructing various buildings, water and sewer projects when material. Interest is only capitalized in proprietary activities.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the business-type activities considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Bond Issue Costs

Bond issuance costs are deferred and amortized over the life of the bonds using the straight line method. Issuance costs are reported as deferred charges.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Memorandum Totals

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$4,107,679
Accumulated depreciation	<u>(2,429,223)</u>
Total difference	<u>\$1,678,456</u>

Long-term liabilities:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statement.

Principal portion of long term note	<u>\$ (126,400)</u>
-------------------------------------	---------------------

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$565,379
Depreciation expense	<u>(219,752)</u>
Net difference as reported	<u>\$345,627</u>

Note 2: Legal Compliance - Budgets/Statutory

On or before the first scheduled council meeting in May, all agencies of the City submit requests for appropriation to the City's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the City council for review at the first scheduled meeting in May. The City council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the City financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the City council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that City officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Note 3: Cash

Deposits and Investments

Deposits and investments for local government are governed by the Utah Money management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$11,759 of the local government's bank balances of \$267,510 were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates

and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments had investments of \$2,930,711 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Note 4: Accounts receivable

Hyde Park City has accounts receivable as of June 30, 2006 for general, water, and sewer funds as follows:

General fund:		
Garbage	\$ 24,276	
Court	12,948	
Communication center	<u>2,603</u>	
Total general fund		\$ 39,827
Enterprise funds:		
Water:		
Utility payments	<u>37,259</u>	
Total water fund		\$ 37,259
Sewer:		
Utility payments	<u>32,579</u>	
Total sewer fund		<u>32,579</u>
Total enterprise funds		<u>69,838</u>
Total accounts receivable		<u>\$ 109,665</u>

Note 5: Taxes receivable

Hyde Park City has taxes receivable as of June 30, 2006, as follows:

Class "C" roads receivable	\$ 27,523
Property tax receivable	<u>158,936</u>
Total	<u>\$ 186,459</u>

Note 6: Restricted cash

The total restricted cash on the balance sheet are comprised of the following cash, cash equivalents and investments:

General fund:

Restricted sidewalk	\$ 13,194
Impact fees	130,892
Bonus density-parks	<u>39,721</u>

Total general fund \$ 183,807

Capital project funds:

City building	11,298
Parks	<u>32,801</u>

Total capital project funds 44,099

Proprietary funds:**Water fund:**

Revenue bond sinking/reserve	210,000
Impact fees	406,263

Sewer fund:

Restricted bond sinking/reserve	92,500
Impact fees	254,504

Municipal building authority

Restricted debt service reserve	<u>153,677</u>
---------------------------------	----------------

Total proprietary funds 1,116,944

Total restricted cash \$ 1,344,850

Note 7: Accounts payable

Accounts payable consist of amounts incurred and due at June 30, 2006, which have not been paid as follows:

General fund:

Accounts payable	\$ 38,863
Payroll taxes	5,024
Wages	12,517
Deposits payable	46,111
Deferred revenue	<u>150,000</u>

Total general fund	\$ 252,515
--------------------	------------

Enterprise funds:

Water fund:

Accounts payable	\$ 1,946
Payroll taxes	1,076
Wages	2,682
Accrued interest	<u>4,484</u>

Total water fund	10,188
------------------	--------

Sewer fund:

Accounts payable	8,619
Payroll taxes	1,076
Wages	<u>2,682</u>

Total sewer fund	<u>12,377</u>
------------------	---------------

Total enterprise funds	22,565
------------------------	--------

Municipal building authority:

Accrued Interest	<u>6,872</u>
------------------	--------------

Total municipal building authority	<u>6,872</u>
------------------------------------	--------------

Total accounts payable	<u>\$ 281,952</u>
------------------------	-------------------

Note 8: Reserved fund equity

The amounts reported on the combined balance sheet identified as reserved fund balance and reserved retained earnings and designated fund balance are comprised of the following:

General fund:			
Reserved roads	\$	27,523	
Reserved bonus density		39,721	
Reserved impact fees		<u>130,892</u>	
Total general fund			\$ 198,136
Capital project funds:			
Reserved city building		11,298	
Reserved park improvements		<u>32,801</u>	
Total capital project funds			44,099
Enterprise funds:			
Water fund (retained earnings):			
Reserved sinking/reserve		210,000	
Reserved impact fees		406,263	
Sewer fund (retained earnings):			
Reserved sinking/reserve		92,500	
Reserved impact fees		254,504	
Municipal building authority		<u>168,152</u>	
Total enterprise funds			<u>1,131,419</u>
Total reserved fund equity			<u>\$ 1,373,654</u>

Note 9: General fixed assets

General fixed asset changes occurring for the year ended June 30, 2006 are as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Land:				
City office site	\$ 4,575	\$	\$	\$ 4,575
Lee's park	51,300	259,119		310,419
Other	29,400			29,400
Roads	<u>221,043</u>			<u>221,043</u>
Total	<u>306,318</u>	<u>259,119</u>		<u>565,437</u>

Buildings:

Equipment shed	10,800		10,800
Lee's park pavilion	106,085		106,085
Maintenance building	<u>174,316</u>	<u>40,432</u>	<u>214,748</u>

Total	<u>291,201</u>	<u>40,432</u>	<u>331,633</u>
-------	----------------	---------------	----------------

Infrastructure	<u>2,306,122</u>	<u>272,001</u>	<u>2,578,123</u>
----------------	------------------	----------------	------------------

Improvements other than Buildings:

Park improvements	313,091	91,405	304,496
Lee's park backstop/fences/other	<u>23,728</u>		<u>23,728</u>

Total	<u>336,819</u>	<u>91,405</u>	<u>428,224</u>
-------	----------------	---------------	----------------

Furniture, fixtures and equipment:

General government	53,562		53,562
Public safety	11,351		11,351
Streets	96,533	28,822	125,355
Parks	<u>13,994</u>		<u>13,994</u>

Total	<u>175,440</u>	<u>28,822</u>	<u>204,262</u>
-------	----------------	---------------	----------------

TOTAL ASSETS	3,415,900	691,779	4,107,679
--------------	-----------	---------	-----------

Accumulated Depreciation (2,209,471)	(219,752)		(2,429,223)
--------------------------------------	-----------	--	-------------

Net Assets	<u>\$ 1,206,429</u>	<u>\$ 472,027</u>	<u>\$ 1,678,456</u>
------------	---------------------	-------------------	---------------------

Depreciation expense was charged to governmental functions as follows:

General government	\$ 3,254
Streets	184,288
Parks and Recreation	<u>32,210</u>

Total Depreciation Expense	<u>\$ 219,752</u>
----------------------------	-------------------

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Water fund:				
Fixed Assets	\$ 3,419,034	\$ 88,155	\$	\$ 3,507,189
Accumulated Depreciation	1,069,814	86,550		1,156,364

Sewer fund:

Fixed Assets	3,126,761	82,390	3,209,151
Accumulated Depreciation	743,432	68,741	812,173

Municipal building authority:

Fixed Assets	656,294		656,294
Accumulated Depreciation	202,357	21,876	224,233

Note 10: Capital project funds

The City has established two capital project funds to account for monies set aside for the improvements of a city building and parks improvements.

Note 11: Changes in long-term debt

The following is a summary of long-term debt transactions of the City's proprietary and governmental fund types for the year ended June 30, 2006:

Bonds payable at July 1, 2005	\$ 3,130,500
Plus: new debt issuances	126,400
Less: regular payment of principal	<u>(201,000)</u>

Bonds payable at June 30, 2006	<u>\$ 3,055,900</u>
Due within one year	<u>\$ 245,229</u>

Bonds payable at June 30, 2006 are comprised of the following individual issues:

Water Fund:

\$2,023,500 water revenue bonds due to the Zion's Bank in annual installments which includes interest at 3.00%. Payments of principal and interest are made annually on June 1 with principal ranging from \$1,000 to \$206,500 retired each year. Payments of principal commence on June 1, 1998 and interest only payments are made annually until that date. Principal and interest will be completely retired on June 1, 2019. \$1,793,500

Total water fund 1,793,500

Sewer Fund:

\$800,000 general obligation sewer bond due in annual payments beginning in 1994. Payments are due by September 1 with 0% interest and will be completely repaid by September 1, 2011.

Principal amounts will vary from \$44,000 to \$45,000.

270,000

\$1,211,000 general obligation sewer bond due to the State Department of Environment Quality in annual payments with 0% interest. Payments will commence in 1994 with principal ranging from \$67,000 to \$68,000 retired on September 1 each year. The principal will be completely retired on September 1, 2011.

407,000

Total sewer fund

677,000

Municipal Building Authority:

\$538,000 lease revenue bonds, series 2003, due to Zion's Bank in annual installments including interest ranging from 1.95% to 4.9%.

Payments of interest are made semi-annually on March 1 and September 1 with principal ranging from \$38,000 to \$53,000 retired on September 1 each year. Principal and interest will be completely retired on September 1, 2015.

459,000

General Fund:

\$126,400 note payable secured by land, due to an individual in 3 annual installments including interest at 7%.

126,400

Total bonds payable

\$3,055,900

The following is a summary of debt service requirements to maturity:

<u>Year Ending</u> <u>June 30</u>	<u>Bonds/notes</u> <u>Outstanding</u>
2007	\$ 326,497
2008	335,596
2009	338,316
2010	328,288
2011	330,324
2012 - 2016	1,342,916
2017 - 2019	<u>628,605</u>
Total	3,630,542
Less Interest	<u>(574,642)</u>
Outstanding Principal	<u><u>\$ 3,055,900</u></u>

Note 12: Insurance and bond coverage

At June 30, 2006, Hyde Park City has insurance and bond coverage as follows:

<u>Description</u>	<u>Issuer</u>	<u>Limits</u>	<u>Expiration Date</u>
Insurance:			
Comprehensive general liab. (\$500 deductible) 11860-GL2005	Utah Local Gov. Trust	\$2,000,000	Continuous
Automotive liability (\$500 deductible) 11860-GL2005	Utah Local Gov. Trust	\$2,000,000	Continuous
Vehicle (\$500 deductible) BA900005	Unigard	\$ 94,997	7-01-06
Buildings	Unigard	\$ 1,058,779	7-01-06
Contents/equipment PX809764		149,620	7-01-06
Bonds:			
Public officials position bond	Allied/Nationwide		
Recorder BD 7900643340		100,000	8-01-06
Treasurer 69981940		200,000	9-28-06

Note 13: Utility users and rates

The Hyde Park City water and sewer utility funds service both residential and commercial users. As of June 30, 2006 water and sewer users were categorized as follows:

	<u>Water</u>	<u>Sewer</u>
Residential	896	870
Commercial	<u>49</u>	<u>49</u>
Total	<u>945</u>	<u>919</u>

	<u>City</u>	<u>County</u>
Water rates:		
Standard monthly services	\$26.00	\$39.00 first 10,000 gallons
Excess over 10,000-50,000 gallons	\$.50	\$.75 per 1,000 gallons
Excess over 50,000 gallons	\$ 1.00	\$ 1.50 per 1,000 gallons
Commercial	Determined by volume and size of pipe	

Sewer rates:		
Residential	\$25.00	N/A
Commercial	Determined by volume and type of service	

Garbage rates:

Std. residential service 60 gallon	\$ 7.50 per unit	\$ 7.50 per unit
Std. residential service 90 gallon	\$ 12.50 per unit	\$ 12.50 per unit
Standard commercial	*	*

* Determined by service area according to volume and number of pickups.

Senior citizen discounts are available on water rates reducing the standard monthly services rate by 10%.

Note 14: Defined benefit pension plan

Plan Description. Hyde Park City (the City) contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living allowances, established and amended by the state legislature, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members in the Local Governmental Noncontributory Retirement System are required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City contributions to the Noncontributory Retirement System for June 30, 2006, 2005 and 2004 were \$23,649, \$22,393, and \$18,982, respectively. The contributions were equal to the required contributions for each year.

Note 15: Defined contribution plan (or 401 (k) plan)

Hyde Park City provides supplemental pension benefits for all of its full-time employees through a defined contribution Section 401 (k) plan. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. Employee contributions are optional within prescribed limits. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested upon deposit into the plan.

The employees made no optional contributions during 2006.

Note 16: Working Capital

Net working capital for the water and sewer funds is calculated as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Current Assets:		
Cash	\$ 2,033,178	\$ 435,035
Receivables	37,259	32,579
Less Current Liabilities:		
Accounts payable	10,188	12,377
Current portion of long-term debt	<u>56,000</u>	<u>112,000</u>
Net Working Capital	<u>\$ 2,004,249</u>	<u>\$ 343,237</u>

SUPPLEMENTAL SECTION

CITY OF HYDE PARK
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006
With Comparative Totals for June 30, 2005

	<u>Capital Project City Park</u>	<u>Capital Project City Building</u>	<u>Memorandum Total 2006</u>	<u>Memorandum Total 2005</u>
ASSETS				
Cash - restricted	<u>\$ 32,801</u>	<u>\$ 11,298</u>	<u>\$ 44,099</u>	<u>\$ 36,923</u>
Total assets	<u>\$ 32,801</u>	<u>\$ 11,298</u>	<u>\$ 44,099</u>	<u>\$ 36,923</u>
Fund Balance:				
Reserved	<u>\$ 32,801</u>	<u>\$ 11,298</u>	<u>\$ 44,099</u>	<u>\$ 36,923</u>
Total fund balance	<u>32,801</u>	<u>11,298</u>	<u>44,099</u>	<u>36,923</u>
Total liabilities and fund balance	<u>\$ 32,801</u>	<u>\$ 11,298</u>	<u>\$ 44,099</u>	<u>\$ 36,923</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HYDE PARK
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006
With Comparative Totals for the Year Ended June 30, 2005**

	Capital Project City Park	Capital Project General	Memorandum Total 2006	Memorandum Total 2005
Revenues:				
Other income	\$ 10,221	\$ -	\$ 10,221	\$ -
Investment income	1,328	249	1,577	409
Total revenues	11,549	249	11,798	409
Expenditures:				
Maintenance building	14,190	40,432	54,622	90,006
Total expenditures	14,190	40,432	54,622	90,006
Excess (deficiency) of revenues over expenditures	(2,641)	(40,183)	(42,824)	(89,597)
Other financing sources (uses):				
Transfers in	-	50,000	50,000	126,000
Net change in fund balances	(2,641)	9,817	7,176	36,403
Fund balances, beginning of year	35,442	1,481	36,923	520
Fund balances, end of year	\$ 32,801	\$ 11,298	\$ 44,099	\$ 36,923

The notes to the financial statements are an integral part of this statement.

**CITY OF HYDE PARK
SUPPLEMENTAL SCHEDULE
SCHEDULE OF IMPACT FEES**

	2000	2001	2002	2003	2004	2005	2006
Beginning Balance:							
Impact Fees - Road	\$ 15,377	\$ 49,570	\$ 68,608	\$ 94,513	\$ 88,429	\$ 120,075	\$ 164,894
Impact Fees - Parks	3,280	2,613	12,602	34,616	63,897	157,761	148,820
Impact Fees - Water	30,947	85,860	121,100	176,556	234,177	319,462	393,984
Impact Fees - Sewer	23,499	69,529	92,997	137,696	191,668	267,426	323,799
Additions:							
Impact Fees - Road	32,609	16,156	21,926	32,554	49,622	42,698	56,546
Impact Fees - Parks	2,800	13,176	20,862	28,548	92,214	40,626	53,802
Impact Fees - Water	52,064	30,192	48,196	54,563	81,164	69,211	100,955
Impact Fees - Sewer	43,761	19,504	39,072	51,520	72,340	52,185	91,208
Interest:							
Impact Fees - Road	1,584	2,882	3,979	1,362	1,552	2,121	6,595
Impact Fees - Parks	144	371	1,152	733	1,650	2,282	5,485
Impact Fees - Water	2,849	5,048	7,260	3,058	4,121	5,311	16,672
Impact Fees - Sewer	2,269	3,964	5,627	2,452	3,418	4,188	9,065
Deletions:							
Impact Fees - Road	-	-	-	(40,000)	(19,528)	-	(228,035)
Impact Fees - Parks	(3,611)	(3,558)	-	-	-	(51,849)	(77,215)
Impact Fees - Water	-	-	-	-	-	-	(105,348)
Impact Fees - Sewer	-	-	-	-	-	-	(169,568)
Ending Balance:							
Impact Fees - Road	49,570	68,608	94,513	88,429	120,075	164,894	-
Impact Fees - Parks	2,613	12,602	34,616	63,897	157,761	148,820	130,892
Impact Fees - Water	85,860	121,100	176,556	234,177	319,462	393,984	406,263
Impact Fees - Sewer	69,529	92,997	137,696	191,668	267,426	323,799	254,504
	<u>\$ 207,572</u>	<u>\$ 295,307</u>	<u>\$ 443,381</u>	<u>\$ 578,171</u>	<u>\$ 864,724</u>	<u>\$ 1,031,497</u>	<u>\$ 791,659</u>

Impact fees have been used for the following capital projects: new water lines, new road improvements, sewer system
Future expenses for impact fees include a water collection tank, new parks, sewer system improvements, new roads, and water system improvements.

The notes to the financial statements are an integral part of this statement



Peterson
Allred
Jackson

▪ Certified Public Accountants
Business Consultants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Honorable Mayor and City Council
City of Hyde Park
Hyde Park, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hyde Park, Utah (the City) as of and for the year ended June 30, 2006, which collectively comprise the City of Hyde Parks basic financial statements and have issued our report thereon dated September 12, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Hyde Park in a separate letter dated September 12, 2006.

This report is intended for the information of the City Council and management, and certain legislative bodies and is not intended to be and should not be used by anyone other than these specified parties.

Peterson Allred Jackson

September 12, 2006



Peterson
Alfred
Jackson

▪ Certified Public Accountants
Business Consultants

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Hyde Park
Hyde Park, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hyde Park, Utah (the City), as of and for the year ended June 30, 2006, and have issued our report thereon dated September 12, 2006. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special test and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The City did not receive any nonmajor State grants during the year ended June 30, 2006.

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Compliance Audit Guide:

Public Debt	Justice Courts
Cash Management	B & C Road Funds
Purchasing Requirements	Liquor Law Enforcement
Budgetary Compliance	Other General Issues
Truth in Taxation and	Impact fees
Property Tax Limitations	Uniform Building Code Standards

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the City of Hyde Park, Utah, complied, in all material respects, with the general compliance requirements identified above, and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Peterson Alfred Jackson

September 12, 2006



Peterson
Allred
Jackson

▪ Certified Public Accountants
Business Consultants

September 12, 2006

Mayor David N. Kooyman
City of Hyde Park
Hyde Park, Utah

Dear Mayor Kooyman:

In planning and performing our audit of the financial statements of Hyde Park, Utah (the City), for the year ended June 30, 2006, we developed the following recommendations concerning certain matters related to compliance, internal control structure (other than "reportable conditions"), and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our audit of the City's financial statements for the year ended June 30, 2006, and are not based on a special study. Our comments and principal recommendations are summarized below.

State Compliance Issues:

PRIOR YEAR

Finding: *Budgetary compliance.* During our review of the budget to actual for the departments of the City, we became aware that one department's actual expenditures have exceeded the appropriations.

Recommendation: We recommend that the City monitor expenditures closely and provide for expenditures for goods and services received prior to the fiscal year end, but payment to be made subsequent to year end.

Management response: The City will monitor budgets more closely and make adjustments as needed.

Status: All departments were within the budget as of June 30, 2006.

Finding: *Treasurer Fidelity Bond.* The City did not have adequate treasurer fidelity bond coverage as of June 30, 2005.

Recommendation: We recommend that the City increase the fidelity coverage to the amount required by the State of Utah.

Management response: The City will increase the fidelity bond insurance to meet the requirements.

Status: The fidelity bond was increased to an appropriate amount during the year.

CURRENT YEAR

Finding: *Payroll files.* During our review of the personnel files for payroll compliance we became aware that some files were missing I-9's, W-4's and pay rate schedules.

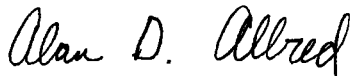
Recommendation: We recommend that the City update all personnel files to incorporate all needed payroll information.

Management response: All employee files have been updated.

In conclusion, we wish to recognize Marsha Hymas, Diane Jensen and Susan Balls for their excellent service provided to Hyde Park City. The entire staff and elected officials have been most cooperative in assisting us in the performance of the audit for the 2005-2006 fiscal year. The performance of the Hyde Park City annual fiscal year audit has been an enjoyable experience for us and we would like to thank the City for the opportunity to serve as independent auditors.

Very truly yours,

PETERSON ALLRED JACKSON



Alan D. Allred, CPA